

## HEALTH SECTOR REFORM PROGRAM

(BL-0014)

### EXECUTIVE SUMMARY

<b>Borrower and Guarantor:</b>	Government of Belize	
<b>Executing Agency:</b>	Ministry of Health and Public Service (MoH)	
<b>Amount and source:</b>	IDB: (OC)	US\$ 9.8 millions
	Co-financing:	
	Caribbean Development Bank (CDB):	US\$ 4.716 millions
	European Union Commission (EUC):	US\$ 1.600 millions <sup>1</sup>
	Local:	US\$ 2.010 millions
<b>Financial terms and conditions:<sup>2</sup></b>	Total:	US\$18.126 millions
	Amortization Period:	25 years
	Grace Period:	4 years
	Disbursement Period:	4 years
	Interest Rate:	variable
	Supervision and Inspection:	1% of loan
	Credit Fee:	0.75% annually on undisbursed balance
<b>Objectives:</b>	Currency:	US Dollars, single currency facility
	The overall goal of the program is to raise the health status of the population by improving the efficiency, equity, and quality of health care services, and by promoting healthier lifestyles.	
<b>Description:</b>	To accomplish the objectives above, the Program will finance 3 components.	
	<b>Component 1: Sector Restructuring.</b> The main objective of this component is the promotion of the development of institutional capabilities within the MoH so that it may exercise its role as a regulator and policy designer, and can effectively stimulate and support deconcentration towards newly created health regions and autonomous hospital bodies.	

<sup>1</sup> EUC will provide EUROS\$1.7m, which represents US\$1.6m as of July 26<sup>th</sup> exchange rate.

<sup>2</sup> It applies only to the IDB loan. Conditions of CDB financing: (i) amortization period: up to 30 years; (ii) grace period: up to 10 years; (iii) disbursement period: up to 10 years; (iv) interest rate: 2.5%; and, (v) supervision and inspection and credit fee: 0

**Component 2: Services Rationalization and Improvement.**

This component will finance investment activities in infrastructure and medical equipment. Investment will be aimed towards improving the public supply of health care services by concentrating surgical and other key hospital services in a smaller number of regional centers (three) so as to increase the utilization of capacity and to improve quality. Investment will be tied to the implementation of performance agreements. This mechanism will forge the link between improvements in performance to infrastructure deployment. Hospital and central authorities will learn how to design, monitor and enforce such agreements.

**Component 3: Support to the National Health Insurance Fund**

(NHIF). This component will provide support to the new NHIF in the acquisition of managerial and financial capabilities as a purchaser of services. To achieve the above purpose, the Program will finance technical assistance, training, and financing for running pilots aimed to develop purchasing skills (Innovation Fund).

**Bank's country  
and sector  
strategy:**

The Project is consistent with the Bank's strategy for Belize, which seeks to support the country in preparing for globalization. In the productive sectors, initiatives will focus on improving the legislative, regulatory, and incentive structures to promote private sector investment in the areas of agriculture, agri-business and tourism. In the social sector, the Bank's strategy is to support GOBL efforts to improve the health of the population and the productivity of the workforce. In the health sector itself, the Bank's strategy is to support sector reform, including institutional strengthening, cost recovery, and infrastructure rationalization and improvement, and to emphasize reproductive health services and community participation.

Furthermore, the Bank has approved a non-reimbursable Technical Cooperation (TC) operation via the Multilateral Investment Fund (MIF) to stimulate the private sector participation in Belize's health sector. As part of its content, this TC will finance strengthening the capacity of the MoH to regulate the private sector, and to develop the complementary purchasing ability needed by the NHIF in its role as the future single purchaser of health care in Belize.

**Environmental/  
social review:**

The Project involves minimal environmental impact. Impact is almost entirely confined to the rehabilitation of existing buildings. No surplus equipment disposal is expected. However, some specific measures will be taken, as follows: (i) the project will finance the

design of environment protection measures, or EPM, to be added to the TOR for contracting rehabilitation of facilities in turn-key contracts, (ii) the PMU will obtain environmental licenses before starting all the bidding processes for construction works, (iii) a common strategy for hospital and domestic type disposal will serve as a basis for the definition of the EPM mentioned in item (i) (to be devised by consultants) and will take into account public health legislation currently in place, (iv) legislative review with an output that will include a review of the need for up-dated environmental regulation and enforcement methods, and (v) pilots for the development of purchasing skills. In this latter case, private contracts will make mandatory the implementation of waste disposal measures concordant with the current legislation.

**Benefits:**

The program will enable GOBL to achieve better health status for the population and better value for money spent through the public purse and individuals. These overall benefits will be achieved through strengthened public policy making, the establishment of a strong purchasing capacity to spend public resources on the best available public and private services, and strengthened regulation. These reforms will reallocate expenditures to priority beneficiaries (women and the poor) and to priority services; reallocations prevented in the past by fixed costs, public service rigidities, and inefficient and inequitable out-of pocket expenditures by the poorest segments of the population. By pooling resources, a strong purchaser of services will act on behalf of the population to purchase high quality services, and to avoid the burden imposed on the system by individual negotiations.

**Risks:**

In order to provide ample opportunities for consultations with the Civil Society, the Bank is recommending approval of the Loan before the SSB/NHIF is enacted. Although the GOBL is committed to an urgent approval of the legislation, delays cannot be ruled out whenever a consultation process is in place. To mitigate the risk the Bank will support the development and evaluation of the pilot, which will gather information and help build public support.

The main risks associated with the program are: (i) the opposition from interested groups to the structural reforms focused on public hospitals and the MoH; (ii) the receipt of subsidies from the Pension Fund by the new; (iii) a higher level of evasion of the system given the increase in contributions; (iv) a drive to informalization of the economy as a consequence of imposing an additional contribution to the formal sector of the economy; (v) a failure to achieve the shift in resources from the current out-of-

pocket private expenditure to the proposed payroll contribution, and (vi) accidents arising from lack of implementation of hospital waste and surplus equipment measures. In order to mitigate the above risks, the Program has been designed in such a manner that it will provide: (i) a public information strategy to forge coalitions to support the reforms and offer a transparent view of the benefits of the program, not only to the general population, but also to the civil servants involved in the process; (ii) an investment and technical assistance effort geared towards strengthening the capacity of the public sector to respond effectively to the challenges of autonomy and self-financing, while tying investment with a coherent performance oriented mechanism; (iii) technical assistance to develop information systems with the purposes of gradually improving controls on the contribution collections process and mitigating evasion; (iv) design and implementation of a monitoring mechanism to ensure permanent surveillance of the labor market performance and potential impact of the new contribution; (v) a legislative and organizational firewall to guarantee absolute financial separation between the new health fund and the pension fund, and (vi) a set of environmental protection measures aimed to devise and implement comprehensive strategies, that would range from reviewing the existing legislation to adding contractual clauses within the turn-key rehabilitation contracts.

**Special contractual clauses:**

1. The prior conditions for first disbursement will be (a) enactment of the Social Security Board/NHIF legislation; (b) approval of the Program Operations Manual; and (c) establishment of the Program Management Unit (PMU) (see par. 3.5).
2. The condition for first disbursement of component 2, in addition to those in item 1, will be the signing of contracts with CDB and EU for additional Program financing (see par. 3.14).
3. For component 3 there will be, in addition to the conditions in item 1 above, three special conditions: (a) signing of the contract with the firm that will be responsible for the concurrent audit (see par. 3.20); and (b) approval of the Operation Guidelines for the Innovation Fund; and (c) signing of the MOH/SSB performance agreement for operation of the NHIF (see par. 3.16)
4. Before accomplishing the conditions noted in items 1-3 above, and provided that the basic prior conditions established in the General Conditions of the loan contract have been met, it is recommended that the Bank may disburse up to US\$700,000 of the loan to start key activities of the Program (including preparation of the Project manuals, the Initial Report, execution of the NHIF pilots, commencement of the labor market study and MOH/KHMHA institutional reforms) (see par. 3.17).
5. There will be annual progress reviews as well as mid-term and final evaluations (see pars. 3.23-3.29).

**Retroactive financing:**

Retroactively financing is recommended up to US\$500,000 for eligible expenses incurred within 12 months prior to loan approval (from Loan resources) and up to US\$300,000 from the local counterpart to cover expenses incurred 18 months prior to loan approval (see pars. 3.18-3.19)

**Poverty-targeting and social sector classification:**

This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (Document AB-1704). (par. 4.11)

**Exceptions to Bank policy:**

None

**Procurement:**

International public bidding will be mandatory for: (a) goods and related services exceeding US\$250,000; (b) public works exceeding US\$1 million; and (c) consulting services at US\$200,000 or more. Works and services that will be financed by the CDB will be procured independently according to the procurement rules of each respective institution (see par. 3.21).

